

**CMP: INR 10,869**

**Rating: Buy**

**Target: INR 12,933**

**Stock Info**

BSE	532538
NSE	ULTRACEMCO
Bloomberg	UTCEN:IN
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	289
Mkt Cap (INR mn)	31,37,940
52w H/L (INR)	12,138 / 8,156
Avg Yearly Volume (in 000')	356

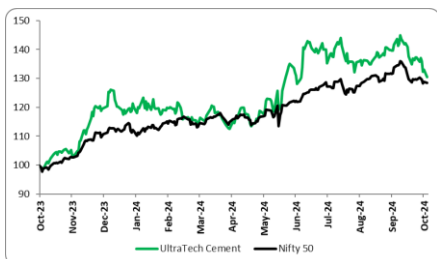
**Shareholding Pattern %**

(As on September, 2024)

Promoters	60.0
DII	18.0
FII	14.7
Public & Others	7.3

Stock Performance (%)	1m	6m	12m
ULTRACEMCO	-9.4%	13.3%	3.6%
NIFTY	-4.5%	10.9%	14.0%

**ULTRACEMCO vs Nifty**



UltraTech Cement reported muted Q2FY25 numbers which came in below our estimates. Revenue for Q2FY25 came in at INR 156,350 Mn, de-growth of 2.4% YoY/ de-growth of 13.5% QoQ as against expectation of INR 177,080 Mn because of lower realizations and volumes. Its sales volume was at 27.8 MnT with growth of 4.3% YoY and de-growth of 12.9% QoQ due to monsoon impact. as against expectation of 31MnT. Also, realization stood at INR 5,616/T de-growth of 6.4% YoY/ de-growth of 0.7% QoQ as against expectation of INR 5,712/T.

**Gross profit & margin witnessed a decline:** Gross profit came in at INR 127182 Mn, de-growth of 5.9% YoY & decline of 14.3% QoQ while its gross margin decreased by 308bps YoY/81bps QoQ to 81.3%. The impact was because of increase in raw material cost by 16.9% YoY and also muted topline growth.

**Subdued operating performance:** UltraTech's operating performance remained subdued and below our expectation due to increase in employee cost wherein one time annual increment and bonus were declared. Also, during the quarter higher expense on maintenance of plant impacted profitability. Thus, EBITDA de-grew by 20.9% YoY/33.6% QoQ to INR 20,180 Mn while margins was down by 302bps YoY/391bps QoQ to 12.9%. EBITDA/t at INR 725/t decline of 24.1% YoY / decline of 23.8% QoQ. Further, PAT seen a de-growth of 35.6% YoY/51.3% QoQ to INR 8,250 Mn with PAT margin at 5.3% which decreased by 272bps YoY/410bps QoQ.

**Capacity expansion is well on track:** UltraTech is continuously expanding its capacity and their plan is to reach 157MnT by FY25. Further, by FY27, their plan is to add more 26.5MnT capacity and reach 183.5MnT excluding Kesoram and India Cements acquisition. Besides, they plan to spend ~INR 80,000-90,000Mn every year on capacity expansion. Also, the company is expecting to complete acquisition of both ~10.75MnT Kesoram & ~14.45MnT India Cements capacity in FY25.

**Outlook & Valuation:** UltraTech's Q2FY25 and H1FY25 numbers saw muted performance due to moderation in demand due to election and monsoon impact. However, H2 is expected to see healthy pickup from rural, real-estate as well as infrastructure space. Therefore, UltraTech being a leader amongst the cement players will continue to benefit from sector tailwinds, besides, its capacity expansion, its cost saving initiatives as well as increasing usage of green power along with improvement in utilization and higher share towards premium products would aid growth. On the financial front, its revenue/EBITDA is estimated to grow by 9.2%/14.2% CAGR over FY24-FY26E and giving a Buy rating with the target price of INR 12,933.

**Key Financials**

Particulars (Mn)	FY23	FY24	FY25E	FY26E
Net revenue	632,400	709,081	754,059	846,054
EBITDA	106,171	129,686	129,648	170,270
EBITDAM (%)	16.8	18.3	17.2	20.1
APAT	50,736	70,040	75,552	108,926
APATM (%)	8.0	9.9	10.0	12.9
EPS (Rs)	176	243	262	377
EV/EBITDA (x)	30.4	24.9	25.0	19.0
RoE (%)	9.3	11.6	11.3	14.3

Source: Arihant Research, Company Filings

**Abhishek Jain**  
abhishek.jain@arihantcapital.com  
022-422548871

**Nirvi Ashar**  
nirvi.ashar@arihantcapital.com

**Kunjal Agarwal**  
kunjal.agarwal@arihantcapital.com

**Q2FY25 Concall Highlights****Industry dynamics:**

H1FY25 was subdued for the cement companies with election and monsoon season impacting demand. However, there are expectations that pickup in Infra projects have started gaining momentum and also demand from real-estate is also aiding growth. Besides, there are various government projects which are approved like Chennai & Bangalore Metro, Mumbai & Pune ring road & Thane project, etc. also commercial projects are seeing pickup & improvement in demand.

**Capacity expansion plan:**

- For Kesoram – The acquisition approval is in the last phase and the transaction is expected to be completed by Q4FY25.
- For India Cements – CCI approvals is awaited and it is also expected to be completed in FY25 itself.
- The company is expected to expand ~8-9MnT capacity in H2FY25. And reach capacity of 157MnT in FY25 and ~183.5 MnT by FY27.

**Cost saving initiatives**

- WHRS expected to improve from 278MW in FY24 to 450MW in FY27 (current at 308MW)
- RE energy expected to improve from 612MW in FY24 to 681MW in FY27.
- CC ratio expected to improve from 1.44x to 1.54x.
- Alternate fuel expected to rise from 5% in FY24 to 15% in FY27.
- Lead distance is expected to drop to 350-360kms by FY27.
- By way of these initiatives the company's plan is to save cost of INR 300/t.

**Other Highlights:**

- The company's strategy is to focus on growing & focusing on profitability.
- Monsoon not good for the sector in the short term but from the long term perspective it would aid in rural growth.
- Amongst the industry capacity addition, ~30MnT of capacity is expected to be added each year and majority of the capacity to be added by UltraTech. It would lead with addition of 50% capacity this year.
- It has more than ~10 Bn tons of reserves pan India.
- Green Power Mix stood at 32% wherein WHRS power mix was 18.4% and RE Power Mix of 13.5%. It was 21.8% in Q2FY24 and 29.4% in Q1FY25.
- Average prices is between INR 348-354/bag.
- Premium product mix was at 23.4%, higher 8% YoY.
- Trade & Non-trade Mix is at 67.5% & 32.5%.
- Rail, Road & sea mix stands at 71%, 21% & 2%, respectively.
- Lead distance was at 388kms as compared to 403 kms YoY and 385kms QoQ.
- Clinker conversion ratio was at 1.46 as compared to 1.44 in Q2FY24.
- Kesoram Q2FY25 delivered 1.7MnT of volumes with utilization at 70-74% and EBITDA/t at INR 264/t.

## Q2FY25 - Quarterly Performance (Consolidated)

Particulars	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
<b>Net Sales</b>	1,56,347	1,60,121	(2.4)	1,80,696	(13.5)
Cost of Raw Materials	25,696	23,485	9.4	27,672	(7.1)
Purchase of Finished Goods	4,742	4,250	11.6	4,393	7.9
(Increase) / Decrease In Stocks	-1,273	-2,793	(54.4)	174	-
<b>Total Raw material cost</b>	29,165	24,942	16.9	32,239	(9.5)
<b>Gross Profit</b>	1,27,182	1,35,179	(5.9)	1,48,456	(14.3)
Gross Margins %	81.3	84.4	(307.7)	82.2	(81.2)
Employee Cost	9,139	8,123	12.5	7,382	23.8
Power & Fuel	38,377	43,853	(12.5)	44,937	(14.6)
Freight & Forwarding	35,835	35,118	2.0	41,813	(14.3)
Other Expense	23,649	22,577	4.8	23,931	(1.2)
<b>Total Expenditure</b>	1,36,165	1,34,612	1.2	1,50,303	(9.4)
<b>EBITDA</b>	20,183	25,509	(20.9)	30,393	(33.6)
<i>EBITDA Margins (%)</i>	12.9	15.9	(302.2)	16.8	(391.1)
Depreciation	9,039	7,978	13.3	8,425	7.3
EBIT	11,144	17,531	(36.4)	21,967	(49.3)
Other Income	2,207	1,671	32.1	1,657	33.2
Interest	3,171	2,339	35.6	2,556	24.1
PBT	10,180	16,863	(39.6)	21,069	(51.7)
Shares of profits	(14.4)	34.9	-	(353.9)	-
PBT	10,166	16,897	(39.8)	21,423	(52.5)
Tax	1,914	4,094	(53.2)	4,471	(57.2)
<b>PAT</b>	8,252	12,804	(35.6)	16,952	(51.3)
<i>PAT Margin (%)</i>	5.3	8.0	(271.8)	9.4	(410.4)
EPS	28.6	44.4	(35.6)	58.7	(51.3)

Source: Arianth Research, Company Filings

Particulars	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
Sales Volume (MT)	27.8	26.7	4.3	32.0	(12.9)
Blended Realization (Rs)	5,616	5,999	(6.4)	5,656	(0.7)
EBITDA/Ton (Rs)	725	956	(24.1)	951	(23.8)
Total Cost/Ton (Rs)	4,891	5,044	(3.0)	4,704	4.0
Fuel Cost/Ton (Rs)	1,378	1,643	(16.1)	1,406	(2.0)
Freight & Forwarding/Ton (Rs)	1,287	1,316	(2.2)	1,309	(1.6)

Source: Arianth Research, Company Filings

## Profit &amp; Loss Statement (Consolidated)

Particulars (Mn)	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>632,400</b>	<b>709,081</b>	<b>754,059</b>	<b>846,054</b>
<b>Expenditure</b>				
Cost of materials	89,335	102,524	114,638	120,986
Purchase of stock in trade	12,997	17,339	19,728	22,135
Changes in Inventories	-5,182	-834	-1,066	-1,196
<b>Total raw materials</b>	<b>97,150</b>	<b>119,029</b>	<b>133,300</b>	<b>141,924</b>
<b>Gross Profit</b>	<b>535,250</b>	<b>590,052</b>	<b>620,759</b>	<b>704,130</b>
Gross Margins %	84.6	83.2	82.3	83.2
Employee cost	27,398	30,376	36,690	36,380
Power & Fuel	184,933	182,833	182,315	203,053
Frieght & forwarding	140,092	158,807	168,309	184,440
Other expenses	76,656	88,351	103,797	109,987
<b>Total expenditure</b>	<b>526,229</b>	<b>579,396</b>	<b>624,411</b>	<b>675,785</b>
<b>EBITDA</b>	<b>106,171</b>	<b>129,686</b>	<b>129,648</b>	<b>170,270</b>
EBITDAM (%)	16.8	18.3	17.2	20.1
Depreciation	28,880	31,453	34,414	32,150
PBIT	77,291	98,233	95,234	138,119
Other income	5,031	6,170	9,919	8,461
Interest expenses	8,227	9,680	11,027	11,532
PBT	74,094	94,722	94,127	135,048
Tax	23,429	24,183	18,207	26,122
<b>Reported PAT</b>	<b>50,666</b>	<b>70,540</b>	<b>75,920</b>	<b>108,926</b>
Exceptional item/ Share c	70	-500	-368	-
PAT (after Exceptional)	50,736	70,040	75,552	108,926
<b>PAT Margin %</b>	<b>8.0</b>	<b>9.9</b>	<b>10.0</b>	<b>12.9</b>
EPS	176	243	262	377

Source: Arihant Research, Company Filings

## Balance Sheet (Consolidated)

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E
Share Capital	2,887	2,887	2,887	2,887
Reserves & Surplus	5,40,359	5,99,388	6,63,392	7,60,771
<b>Total Shareholder's Fund</b>	<b>5,43,245</b>	<b>6,02,275</b>	<b>6,66,279</b>	<b>7,63,658</b>
Minority Interest	556	559	559	559
Long term borrowings	53,564	53,078	56,554	63,454
Short term borrowing	45,444	49,906	52,784	59,224
<b>Total Debt</b>	<b>99,008</b>	<b>1,02,984</b>	<b>1,09,339</b>	<b>1,22,678</b>
Deferred tax liabilities	76,265	84,313	90,487	1,01,526
Long term provision	6,212	6,706	7,131	8,001
Other long term liabilities	13,343	11,865	12,618	14,157
<b>Total</b>	<b>95,820</b>	<b>1,02,883</b>	<b>1,10,236</b>	<b>1,23,684</b>
<b>Current Liabilities</b>				
Trade payables	72,090	84,783	90,900	1,01,990
Short term provisions	2,044	2,575	2,738	3,072
Other current liabilities	1,01,073	1,11,961	1,20,649	1,35,369
<b>Total</b>	<b>1,75,207</b>	<b>1,99,319</b>	<b>2,14,288</b>	<b>2,40,433</b>
<b>Total liabilities</b>	<b>9,13,837</b>	<b>10,08,020</b>	<b>11,00,700</b>	<b>12,51,010</b>
<b>Application of Assets</b>				
Net Block	5,95,842	6,29,060	7,10,801	8,03,168
Current work in process	40,349	67,828	67,828	67,828
Non current investment	14,604	27,642	30,162	42,303
Tax assets	4,085	4,610	4,902	5,501
Long term loans and adva	92	83	88	99
Other non-current assets	51,466	47,215	49,014	54,994
<b>Total</b>	<b>7,06,438</b>	<b>7,76,437</b>	<b>8,62,796</b>	<b>9,73,892</b>
<b>Current Assets</b>				
Current investments	58,366	54,848	56,554	63,454
Inventories	66,118	83,297	82,637	88,082
Trade receivables	38,670	42,782	45,495	51,046
Cash balance	3,703	5,535	7,092	23,063
Bank balance	7,792	2,296	2,296	2,296
Short term loans and adva	77	89	95	106
Other current assets	32,672	42,735	43,735	49,071
<b>Total</b>	<b>2,07,398</b>	<b>2,31,583</b>	<b>2,37,905</b>	<b>2,77,118</b>
<b>Total assets</b>	<b>9,13,836</b>	<b>10,08,020</b>	<b>11,00,700</b>	<b>12,51,010</b>

Source: Arihant Research, Company Filings

## Cash Flow Statement (consolidated)

Particulars (Mn)	FY23	FY24	FY25E	FY26E
<b>Profit before tax</b>	<b>74,165</b>	<b>94,222</b>	<b>93,759</b>	<b>1,35,048</b>
Add: Depreciation	28,880	31,453	34,414	32,150
Add: Interest cost	8,227	9,680	11,027	11,532
Less: Interest Income	2,725	-2,409	-4,960	-4,230
Others	-8,698	-2,655	-	-
Profit before WC	1,05,298	1,30,291	1,34,240	1,74,500
Changes in working capital	-3,370	-4,811	17,166	16,660
Cash from Operations	1,01,928	1,25,481	1,51,405	1,91,160
Less: Taxes	-11,243	-16,505	-18,207	-26,122
Cash flow from Operations	90,685	1,08,975	1,33,199	1,65,038
Cash flow from investing	-71,875	-87,881	-1,15,422	-1,39,327
Cash flow from Financing	-16,310	-19,257	-16,220	-9,740
Net cash Inflow/Outflow	2,500	1,838	1,556	15,971
Opening cash	1,205	3,703	5,535	7,092
<b>Closing cash</b>	<b>3,703</b>	<b>5,535</b>	<b>7,092</b>	<b>23,063</b>

Source: Arihant Research, Company Filings

## Ratio Analysis

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	175.7	242.6	261.7	377.3
Book value per share (Rs)	1881.8	2086.2	2307.9	2645.3
Dividend per share (Rs)	37.8	37.9	40.0	40.0
Dividend Payout (%)	21.5	15.6	15.3	10.6
Dividend Yield (%)	0.3	0.3	0.4	0.4
<b>Profitability Ratios</b>				
EBITDAM(%)	16.8	18.3	17.2	20.1
PBTM (%)	11.7	13.4	12.5	16.0
NPM (%)	8.0	9.9	10.0	12.9
RoE (%)	9.3	11.6	11.3	14.3
RoCE (%)	12.0	13.9	12.3	15.6
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.2	0.2	0.2	0.2
Interest Cover Ratio	9.4	10.1	8.6	12.0
Fixed Asset Ratio	0.9	0.9	0.9	0.9
Debtors (Days)	22.3	22.0	22.0	22.0
Inventory (Days)	38.2	42.9	40.0	38.0
Payable (Days)	41.6	43.6	44.0	44.0
WC (Days)	18.9	21.3	18.0	16.0
<b>Valuation</b>				
P/E (x)	61.8	44.8	41.5	28.8
P/BV (x)	5.8	5.2	4.7	4.1
EV/EBITDA (x)	30.4	24.9	25.0	19.0
EV/Sales (x)	5.1	4.6	4.3	3.8

Source: Arihant Research, Company Filings

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100 Fax: (91-731) 4217101

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880